

University of Waterloo
Department of Economics
ECON 602
Macroeconomic Theory I
Winter 2020
Tue/Thu 10:00 – 11:20, RCH 211

Instructor and T.A. Information

Instructor: Derek Stacey
Office: Hagay Hall 102
Office Phone: 519-888-4567, ext. 36825
Office Hours: Tue/Thu 1:00 – 2:30
Email: dstacey@uwaterloo.ca

TA:
Office:
Office Hours:
Email:

Course Description

The main purpose of this course is to provide students with the methodological tools that underlie dynamic equilibrium analysis of the macroeconomy. In this iteration of ECON 602, we will formally analyze the basic models used in modern macroeconomic theory and their applications to the study of various economic issues. Topics covered will include recursive methods, asset pricing, growth, business cycles, and markets with frictions.

Recommended Texts

- Krueger, Dirk (2013). “Macroeconomic Theory,” unpublished manuscript.
- Ljungqvist, Lars and Thomas J. Sargent (2018). “Recursive Macroeconomic Theory,” Fourth Edition, MIT Press, Cambridge, MA.
- Jianjun Miao (2014). “Economic Dynamics in Discrete Time,” MIT Press, Cambridge, MA.

Readings Available on LEARN

Lecture slides will be posted on LEARN. Students should check LEARN regularly for announcements, course changes, and class materials.

Course Requirements and Assessment

Assessment	Date of Evaluation (if known)	Weighting
Problem Sets	TBD	20%
Midterm Exam	February 13	30%
Final Exam	TBD	50%
Total		100%

Problem Sets

Five problem sets related to class material will be distributed during the course. Submitted solutions to the assigned problem sets should be legible and neat. Students can work together on the problem sets, but each student must submit their own solutions.

Midterm and Final Exams

Exams will draw on material covered in the lectures and assigned readings. The midterm and final exams are closed-book exams. The final exam will emphasize the post-midterm material.

Tentative Course Outline

1. Recursive Methods
 - LS chapters 3 & 4
 - K chapters 4 & 5
 - M chapters 5, 6 & 7
 - Adda, Jerome and Russell Cooper (2003), chapters 2 & 3 in “Dynamic Economics,” MIT Press, Cambridge, MA chapters 2 & 3
2. Competitive Equilibrium
 - LS chapters 8 & 12
 - K chapter 2
 - M chapter 13
3. Asset Pricing
 - Lucas, Robert (1978). “Asset Prices in an Exchange Economy,” *Econometrica* 46, 1429—1445.
 - Mehra, Rajnish and Edward C. Prescott (1985). “The Equity Premium: A Puzzle,” *Journal of Monetary Economics* 15, 145—161.
 - Kocherlakota, Narayana (1996). “The Equity Premium: It’s Still a Puzzle,” *Journal of Economic Literature* 34, 42—72.
4. Growth
 - K chapter 3
 - M chapter 14
5. Real Business Cycles
 - K chapter 6
 - Cooley Thomas F. and Edward C. Prescott (1995). “Economic Growth and Business Cycles,” in T. F. Cooley, editor, *Frontiers of Business Cycle Research*, Chapter 1. Princeton University Press: 1—38.
 - Hansen, Gary D. and Randall Wright (1992). “The Labor Market in Real Business Cycle Theory,” *Federal Reserve Bank of Minneapolis Quarterly Review* 16(2), 2-12.
6. Markets with Frictions
 - LS chapters 6, 29 & 30
 - Pissarides, Christopher A. (2000). Chapters 1, 2 & 8 in “Equilibrium Unemployment Theory,” MIT Press, Cambridge, MA.

- Rogerson, Richard, Robert Shimer and Randall Wright (2005). "Search-Theoretic Models of the Labor Market: A Survey," *Journal of Economic Literature* 43, 959-988.
- Shimer, Robert (2005). "The Cyclical Behavior of Equilibrium Unemployment and Vacancies," *American Economic Review*, 95(1), 25-49.

Missed Exam Policy

Students that are to miss an exam should inform the instructor in advance. Students that miss a midterm exam will receive a grade of zero on the exam if satisfactory documentation is not provided in a timely manner. With appropriate documentation, students that miss a midterm exam will have the weight of that midterm transferred to their final exam. With appropriate documentation, students that miss the final exam will be eligible to write a makeup final exam.

Attendance Policy

Lectures are a critical part of the course. Attendance is strongly recommended. A student that misses a lecture should obtain class notes from a classmate.

Statements and links to be included on all course outlines:

[Economics Department Deferred Final Exam Policy](#)

Academic Integrity

In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility. See the [UWaterloo Academic Integrity](#) webpage and the [Arts Academic Integrity](#) webpage for more information.

Discipline

A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to [Policy 71 - Student Discipline](#). For typical penalties check [Guidelines for the Assessment of Penalties](#).

Grievance

A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. [Read Policy 70 - Student Petitions and Grievances](#), Section 4. When in doubt, please be certain to contact the department’s administrative assistant who will provide further assistance.

Appeals

A decision made or penalty imposed under Policy 70 - Student Petitions and Grievances (other than a petition) or Policy 71 - Student Discipline may be appealed if there is a ground. A student who believes he/she has a ground for an appeal should refer to [Policy 72 - Student Appeals](#).

Accommodation for Students with Disabilities

[The AccessAbility Services office](#), located on the first floor of the Needles Hall extension (1401), collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the AS office at the beginning of each academic term.

Territorial Acknowledgement

We acknowledge that we are living and working on the traditional territory of the Attawandaron (also known as Neutral), Anishinaabeg and Haudenosaunee peoples. The University of Waterloo is situated on the Haldimand Tract, the land promised to the Six Nations that includes six miles on each side of the Grand River.